

**ARGONNE
NATIONAL
LABORATORY**

Intra-Laboratory Memo

February 24, 1999

TO: Division Directors/Department Heads

FROM: H. Carol Bernstein

General Counsel
& Director, ITD

SUBJ: Royalty Distribution and Use Policy

On behalf of the Laboratory's Management Council, I am pleased to inform you of the adoption of the Royalty Distribution and Use policy (attached), to return royalties received by the Laboratory (after the inventor's share is paid) above those needed for maintenance of the Work for Others Advance Payment fund to divisions from which the royalty generating technology arose, so that they may be used for the support of discretionary research. This will afford divisions the opportunity to use these funds "for scientific research, development, and technology transfer and education at the Laboratory..." as provided in the Prime Contract for operation of the Laboratory between DOE and the University of Chicago. We have designed the policy to require minimal forms and approvals (through use of the Work Project Authorization process) so as to make funds available to the divisions as expeditiously as possible and to conserve the expenditure of your staff's energy.

Under no circumstances shall these royalties be used for an illegal augmentation of funds furnished by the U. S. Government. The maintenance of the Advance Payment fund at an appropriate level (based on current records of usage) will allow for a one-time action of allocating the currently available remaining funds to the respective divisions, and then a process for supporting the activity on a continuous basis as described in the policy.

We have identified the Division recipients of the currently available funds and will notify shortly the divisions of the amount of funds available for their use. The policy statement has been included in the Laboratory Policy manual. A revision to the manual will be issued in the near future.

Please contact me if you have any questions regarding this policy.

HCB/lr
Attachment

Royalty Distribution and Use Policy

Background

As described in the Intellectual Property Revenue Sharing Policy #10700, 25% of the royalty income generated from commercialized Laboratory technology is to be returned to the inventor(s) and the remaining portion received by the Laboratory is to be used as described in the Prime Contract between the University of Chicago and the DOE for the management and operation of the Laboratory. The Prime Contract states that royalty revenues are the property of the Contractor and “shall be used by the Contractor for scientific research, development, and technology transfer and education at the Laboratory, consistent with the research and development mission and objectives of the Laboratory....”. This policy describes the means by which the royalty revenue received by the Laboratory (after the inventor’s share is paid) will be distributed and used. The policy is premised on the concept that the royalty receipts should be returned to the division(s) from which the technology generating the royalty arose and should be used to support discretionary research in accordance with the general guidance of the Prime Contract.

Initial Evaluation/Distribution Responsibilities

- *The Industrial Technology Development Center Division (ITD) through its Director will administer the allocation of royalty funds to the respective division(s) with the support of the Office of the Chief Financial Officer (OCF), and will report regularly to the Division Directors and ALDs the amount of the funds available for them and any receipt of new funds.*
- *The respective Division Directors will identify the planned uses of royalties allocated to their divisions through the standard Work Project Authorization process and will subsequently account for the actual usage of the funds.*
- *The Associate Laboratory Directors will review and approve the recommended usage of the funds by their divisions.*
- *The Office of the Chief Financial Officer (OCF) will make available to the divisions their respective royalty funds upon submission of Work Project Authorizations.*

Uses of Royalty Income

Royalty receipts will be used to support discretionary research at the programmatic division level (if necessary, such royalties will also be used to supplement the Laboratory’s Work For Others Advance Payment fund.) Royalty receipts generated by each technology will be allocated to the division(s) from which the technology arose. The Prime Contract requires that a plan setting out the uses of the royalties received as a result of performance of privately or DOE funded technology transfer activities be developed and included as part of the Laboratory’s Institutional Plan.

Under no circumstances shall these royalties be used for an illegal augmentation of funds furnished by the U. S. Government.

Distribution /Accountability Process

ITD will identify and track all royalties received by the Laboratory and, working with OCF, will identify the programmatic division(s) that were responsible for the royalty generating technology. Funds allocated to a programmatic division are to provide additional incentives for the division's researchers, such as in exploring new research opportunities in moving new concepts toward commercialization. Funds may also be used by the division(s) to support patent prosecution costs related to the development of patents and royalty generating licenses. The Associate Laboratory Directors will retain the final approval of the planned use of the royalty funds to assure consistency with Prime Contract requirements.

Eligible divisions will be required to generate a "planned use document". The standard Work Project Authorization process will be utilized as the tool for the division to submit the planned use. After review and approval of the Work Project Authorization by the appropriate ALD, OCF will approve the release of funds to the division and the division, through the unique number assigned through the Work Project Authorization process, will be allowed to proceed with implementation. The authorization to use funds in the programmatic division(s) will be processed on a quarterly basis or sooner if the division's royalty funds reach a defined threshold, e.g., \$10,000. ITD, working with OCF, will track the funds utilizing the unique number and issue periodic funds availability and receipt letters to divisions with royalty funds available.

At the end of the fiscal year the division(s) will be required to submit a separate accounting to ITD for how the funds were actually used.

Implementation

The maintenance of the Work For Others Advance Payment fund at an appropriate level will require a one-time action of allocating available funds to the respective divisions and then a process for supporting the activities described herein on a continuous basis.

Available Funds

ITD will identify initially the recipients and arrange for the initial release of currently available funds while retaining sufficient funds to address Advance Payments. Once established, the Advance Payment fund is intended to be self sustaining and should not require additional funding unless the volume of WFO Advance Payments changes significantly. Subsequent to the release of all currently available funds, the policy will be utilized to control the frequency and amount of release of royalty receipts to the divisions responsible for the technology that generated the royalty.